

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

BILL: CS/SB 2000

SPONSOR: Appropriations Committee and Senator Dockery

SUBJECT: Children's Health Care

DATE: March 1, 2004 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Peters	Coburn	AP	Favorable/CS
2.				
3.				
4.				
5.				
6.				

I. Summary:

The bill makes the following changes to the Florida KidCare program:

- Eliminates continuous enrollment and replaces it with no more than two 30-day open enrollment periods per fiscal year (September 1 – 30 and January 1 – 30) on a first-come, first-served basis using the date the new open enrollment application is received.
- Provides an exception to the open enrollment period for the Children's Medical Services Network to enroll up to an additional 120 children based on disability criteria.
- Provides disenrollment procedures on a last-in, first-out basis, except for children enrolled in the Children's Medical Services network, based on a determination of insufficient funds.
- Clarifies eligibility requirements, effective July 1, 2004, to limit Title XXI eligibility to children under 19 years of age; requires proof of family income; and requires a statement from the applicant that employer insurance is not available, the potential enrollee is not covered or eligible for coverage under a family member's employer group health insurance plan, and the incremental cost to enroll the child.
- Provides for reserves to be established to assure transfers of children between program components, under conditions of cost neutrality, effective July 1, 2004.
- Provides for the withholding of benefits and for prosecution of an individual or applicant under certain circumstances, effective July 1, 2004.

- Requires coverage of dental services; provides that dental services may include those dental services provided to children under the Medicaid program; and removes the maximum cap of \$750 per enrollee per year, effective July 1, 2004.
- Clarifies that the Agency for Health Care Administration is to contract, either directly or through the services of a third-party, with authorized insurers or providers of health care services for the provision of comprehensive insurance coverage for KidCare enrollees.
- Repeals obsolete language related to outreach programs operated by the Department of Health.
- Clarifies that the Florida Healthy Kids Corporation may provide benefits to legal aliens who do not qualify for Title XXI and to other children whose family pays the full costs of the premiums including any administrative costs.
- Requires the Auditor General to perform an analysis of ineligible children enrolled in the program for the purpose of making recommendations to prevent such enrollment.
- Clarifies that insurers under contract with the Florida Healthy Kids Corporation are the payors of last resort and that benefits must be coordinated with other third party payors.
- Provides an appropriation for Fiscal Year 2003-2004.

This bill amends ss. 409.811, 409.8132, 409.8134, 409.814, 409.815, 409.818, and 624.91, Florida Statutes.

This bill repeals ss. 409.818(2) (b) and 409.819, Florida Statutes.

The bill creates two undesignated sections of law.

II. Present Situation:

State Children's Health Insurance Program

The State Children's Health Insurance Program (SCHIP), enacted as part of the Balanced Budget Act of 1997, created Title XXI of the Social Security Act, which provides insurance to uninsured children in low-income families either through a Medicaid expansion, a separate children's health program, or a combination of both. SCHIP was designed as a federal/state partnership, similar to Medicaid, with the goal of expanding health insurance to children whose families earn too much money to be eligible for Medicaid, but not enough money to purchase private insurance. SCHIP is the single largest expansion of health insurance coverage for children since the initiation of Medicaid in the mid-1960s.

Congress set aside approximately \$40 billion over ten years (1998 through 2007) for states to expand health insurance coverage for millions of children. The federal SCHIP funds dropped by 26 percent, or more than \$1 billion, in federal fiscal year 2002 and remain at this level through

2004 before increasing. The Balanced Budget Act of 1997 included this reduction to ensure the budget was balanced by 2002, in response to budget constraints rather than for policy reasons.

Florida KidCare Program

The Legislature created Florida's KidCare program during the 1998 Legislative Session, in response to passage of Title XXI of the Social Security Act, to make affordable health insurance available to previously uninsured, low-income children. The program is primarily targeted to uninsured children under age 19 whose family income is at or below 200 percent of the federal poverty level (FPL), \$36,800 for a family of four. The KidCare program is designed to maximize coverage for eligible children and federal funding participation for Florida, while avoiding the creation of an additional entitlement program under Medicaid. The KidCare program is outlined in ss. 409.810 through 409.821, F.S.

Enrollment was initiated on October 1, 1998, and 1,517,537 children are enrolled in the various components of the KidCare Program as of February 2004. Of this total, 314,634 children are Title XXI eligible, 22,925 children are non-Title XXI eligible, and 1,179,978 children are eligible under the Medicaid Title XIX program.

KidCare is an "umbrella" program that currently includes the following four components: Medicaid for children; Medikids; the Florida Healthy Kids program; and the Children's Medical Services (CMS) Network, which includes a behavioral health component.

Eligibility

The eligibility requirements for the four KidCare components are as follows:

- Medicaid - for children who qualify for Title XIX (of the Social Security Act) under the following limitations: birth to age 1, up to 200 percent of the FPL (185% - 200% Title XXI); ages 1 through 5, up to 133 percent of the FPL; and ages 6 through 18, up to 100 percent of the FPL.
- Medikids - for children ages 1 through 4 who qualify for Title XXI (of the Social Security Act) with incomes up to 200 percent of the FPL.
- Healthy Kids - for children ages 5 through 18 who qualify for Title XXI up to 200 percent of the FPL. A limited number of non-Title XXI non-qualified alien children are enrolled in the non-federally funded program and are funded with state and local funds. A limited number of children who have family incomes over 200 percent of the FPL and a limited number of children age 19 are enrolled in the unsubsidized full pay category in which the family pays the entire cost of the premium, including administrative costs.
- CMS Network – for children ages birth through age 18 who have serious health care problems. The Department of Health (DOH) contracts with the Department of Children and Family Services (DCF) to provide behavioral health services to non-Medicaid eligible children with special health care needs.

Currently, the applicant's self declaration of income is accepted on the application and during redeterminations. Children enrolled in Title XXI KidCare are not eligible for coverage if they are

covered under another comprehensive health insurance plan. Whether health insurance is offered through a family member's employer is currently not a factor in determining eligibility. Proof of a family member's eligibility for private coverage is not currently required.

Administration

The Florida Healthy Kids program component of KidCare is administered by the non-profit Florida Healthy Kids Corporation, established in s. 624.91, F.S. The Florida Healthy Kids program existed prior to the implementation of the federal Title XXI State Children's Health Insurance Program (SCHIP). Florida was one of three states to have the benefit package of an existing child health insurance program grandfathered in as part of the Balanced Budget Act of 1997, which created the federal State Children's Health Insurance Program. The Florida Healthy Kids Corporation contracts with managed care plans throughout the state for the provision of health care coverage.

The Healthy Kids Corporation contracts with a fiscal agent to perform initial eligibility screening for the program and final eligibility determination for children who are not Medicaid eligible. The KidCare application is a simplified application that serves applicants for both the Title XXI KidCare program as well as Title XIX Medicaid. Pursuant to federal law, each application is screened for the child's eligibility for Title XIX Medicaid. The fiscal agent refers children who appear to be eligible for Medicaid to the Department of Children and Families for Medicaid eligibility determination, and children who appear to have a special health care need to the CMS Network within the Department of Health for evaluation. If eligible for Medicaid, the child is enrolled immediately into that program. If the child is not eligible for Medicaid, the application is processed for Title XXI and if the child is eligible under Title XXI, the child is enrolled into the appropriate KidCare component.

Medicaid for children and Medikids are administered by the Agency for Health Care Administration. Medikids uses the Medicaid infrastructure, offering the same provider choices and package of benefits.

The KidCare program requires a two tiered family premium for program participation. Families under 150 percent of the federal poverty level pay \$15 per month and families between 150 percent and 200 percent of the federal poverty level pay \$20 per month.

Program Funding

Florida KidCare is financed with a combination of federal, state, and local funds, as well as family contributions. Federal funds come from two sources: the State Children's Health Insurance Program (SCHIP), Title XXI of the Social Security Act (requires 29 percent state match), and Medicaid, Title XIX of the Social Security Act (requires 41 percent state match).

The amount of the federal funds available for Title XXI programs is limited for each fiscal year nationally and at the state level. State allotments for a fiscal year are determined in accordance with a statutory formula that is based on two factors: the "Number of Children" and the "State Cost Factor." The variability of state allotments over time is constrained by the application of federal statutorily prescribed floors and ceilings, which limit the amount that allotments fluctuate

from year-to-year and over the life of the SCHIP program. In general, state allotments for a fiscal year remain available for expenditure by that state for a 3-year period; the fiscal year of the award and the two subsequent fiscal years. However, any allotment amounts for a fiscal year, which remain available after the three fiscal years, are subject to reallocation to another state.

Florida, like most states, gradually began enrolling children in KidCare so expenditures over the first several years were well below the federal allotment. As a result, Florida was one of the states that did not spend all of its SCHIP allotment over the allowed three year time frame and federal funds were decreased and redistributed to other states from the 1998, 1999, and 2000 federal year allotments. Because Florida spent all of its federal allotment for 2001, it is eligible for redistributions of unspent federal funds for 2001. Florida has been notified that it will receive \$132 million in federal redistributed funds. It is anticipated that these funds will be received by late February or early March 2004.

Beginning in fiscal year 2002, annual KidCare federal expenditures have exceeded the federal year’s annual allotment. As a result, Florida is spending prior year federal allotments (nonrecurring funds) to fund its program. Eventually, this reserve will be depleted and absent increased allotments or future redistributions of federal funds, Florida may have to reduce enrollment or implement other cost containment strategies. In addition, the federal SCHIP program must be reauthorized beyond federal fiscal year 2007.

Program Waiting Lists

Because the Legislature funded a “no growth” enrollment policy in fiscal year 2003-2004, waiting lists have been established for the KidCare program. The cumulative Title XXI waiting list has grown to over 90,000 children as of January 30, 2004, as indicated in the table below. Since KidCare is not an entitlement program, it is critical that enrollments and expenditures are monitored in order to ensure that expenditures are within the appropriation.

Program	01/30/2004
Fla. Healthy Kids	68,290
Medikids	20,355
CMS Network	1,635
Total Title XXI	90,280

Source: Florida Healthy Kids Corporation, February 2004.

III. Effect of Proposed Changes:

Section 1. Amends s. 409.811, F.S., to clarify the definition of the Florida KidCare program to mean the health benefits program administered through ss. 409.810-409.820, F.S.

Section 2. Amends s. 409.8132, F.S., related to the Medikids program, to limit enrollment to the two open enrollment periods specified in s. 409.8134, F.S., and eliminates special enrollment periods.

Section 3. Amends s. 409.8134, F.S., related to program enrollment and expenditure ceilings, to:

- Remove obsolete language that allowed the agency and the Department of Health to increase the enrollment ceiling.
- Provide for no more than two 30-day open enrollment periods per fiscal year in the KidCare program, except for Medicaid, on a first-come, first-served basis, using the date the open enrollment application was received. Open enrollment periods are September 1 - 30 and January 1-30. Open enrollment must cease when the enrollment ceiling is reached. The Governor is to determine if an open enrollment is to be held, after consultation with the Social Services Estimating Conference, based on identification of sufficient federal and state matching funds.
- Exempt from the open enrollment periods up to 120 children in the Children's Medical Services network based on disability criteria, provided that enrollment is managed within the KidCare program's appropriated or authorized levels of funding.
- Provide that applications must be submitted during the KidCare program open enrollment periods.
- Create disenrollment procedures on a last-in, first-out basis, except for children enrolled in the Children's Medical Services network, once a determination has been made by the Governor, in consultation with the Social Services Estimating Conference, that there are insufficient funds to maintain current enrollment. The Governor is to develop a plan of action for disenrollment and is to preserve legislative policy and intent. Disenrollment would cease once the Governor determines that expenditure levels and appropriation levels were balanced.
- Revise requirements for state agencies in analyzing program data to include costs, price level adjustments, attrition rates, current and projected caseloads, and current and projected expenditures for the next three years.

Section 4. Amends s. 409.814, F.S., effective July 1, 2004, related to eligibility to:

- Clarify that only children under 19 years of age are eligible for the program and add language that eligibility for the Title XXI funded program terminates when a child reaches 19 years of age.
- Remove duplicative Medicaid presumptive eligibility language; remove Florida Healthy Kids Corporation from being designated as an entity to conduct presumptive eligibility; and remove presumptive eligibility determination for enrollment in the KidCare program.
- Clarify that a child is ineligible to receive Title XXI premium assistance if he or she is currently eligible for coverage or covered under a family member's group health benefit plan or under other employer health insurance coverage provided that the cost of the child's participation does not exceed 7.5 percent of the family's gross income. This

provision is to be applied during redetermination for individuals enrolled prior to July 1, 2004. These enrollees will have six months of eligibility following redetermination to allow for a transition to other health benefit plans.

- Add that an alien child who does not meet the definition of a qualified alien may apply for enrollment as a non-Title XXI child provided in s. 624.91, F.S.
- Authorize transfers between KidCare program components provided these transfers are managed within the program's funding levels. Each program component is to establish reserves within current-year appropriations. The Social Services Estimating Conference is to review these reserves and their adequacy in meeting actual experience.
- Provide that an asset test is not required for eligibility determination. Written documentation is required for proof of family income. A statement is required from the applicant that no employer of a family member sponsors a health plan for employees, the potential enrollee is not covered or eligible for coverage under a family member's employer group health insurance plan, and the incremental cost to enroll the potential enrollee in a family member's employer sponsored health insurance plan.
- Provide that benefits are to be withheld if, after redetermination of eligibility or at any other time, evidence is obtained that the enrollee is no longer eligible or fails to provide required information.
- Require notification to applicants or enrollees of withholding of benefits within 10 days of the date of the notice unless the applicant or enrollee contacts a designated representative of the program by a specified date to resolve the matter.
- Provide for prosecution, in accordance with s. 414.39, F.S., to an applicant or individual who assists the applicant to obtain or attempt to obtain benefits under the KidCare program for which the applicant or individual knows that the applicant does not qualify.

Section 5. Amends s. 409.815, F.S., effective July 1, 2004, to provide that dental services must be covered and may include those dental services provided to children under the Medicaid program. Also removes the maximum cap of \$750 per enrollee per year.

Section 6. Amends s. 409.818, F.S., to require the Agency for Health Care Administration to contract, either directly or through the services of a third-party, with authorized insurers or any provider of health care services meeting standards established by the agency, for the provision of comprehensive insurance coverage for enrollees. Authorizes the agency to contract with more than one provider in program sites and requires a competitive procurement process for the selection of health plans.

Section 7. Repeals s. 409.818(2) (b), F.S., and s. 409.819, F.S., related to an outreach program operated by the Department of Health.

Section 8. Amends s. 624.91, F.S., the Florida Healthy Kids Corporation Act, to:

- Remove obsolete language related to the Florida Healthy Kids Corporation working with the Florida Partnership for School Readiness.
- Clarify that the Corporation is to continue to serve legal aliens who do not qualify for federal Title XXI matching funds, subject to the provisions of the General Appropriations Act.
- Provide that the Corporation may serve children (over 200% of the federal poverty level) whose family pays the full costs of the premiums, including any administrative costs.
- Add a reference to s. 409.8134, F.S., to clarify acceptance of voluntary local match.
- Clarify the duties of the Corporation to determine eligibility, except for Medicaid, for the Title XXI funded program as well as the non-Title XXI funded program.
- Authorize the Corporation to contract with a third-party administrator to provide administrative services.
- Eliminate obsolete special enrollment period language that allowed for the transfer of children between Medicaid or Medikids to the Florida Healthy Kids program.
- Require the Corporation to purchase goods and services in the most cost-effective manner consistent with the delivery of quality medical care.
- Eliminate language that based the Corporation's selection of health plans primarily on quality criteria established by the board.
- Remove obsolete language related to contracting with school boards to provide onsite enrollment information and other services.
- Remove obsolete language that requires establishment of a maximum number of participants who may enroll in the program statewide each fiscal year.
- Eliminate language that the Corporation establishes eligibility requirements and premium and cost-sharing requirements in ss. 409.810 – 409.820, F.S.
- Authorize the Corporation to establish criteria, premium and cost-sharing requirements, and benefit packages for non-Title XXI-eligible children.
- Add that insurers under contract with the Corporation are the payors of last resort and must coordinate benefits with other third-party payors.

Section 9. Creates an undesignated section of law to require the Auditor General to perform an analysis of ineligible children enrolled in the program for purposes of making recommendations to implement mechanisms to prevent such enrollment. The report is to be submitted to the Governor and Legislature by December 31, 2004.

Section 10. Provides the following appropriations for the 2003-2004 fiscal year for the purpose of serving children who submitted an application to the Florida KidCare program as of January 30, 2004, and who are determined eligible for program components funded under Title XXI of the Social Security Act.

- \$6,566,073 from the General Revenue Fund, \$454,687 from the Grants and Donations Trust Fund, and \$16,272,440 from the Medical Care Trust Fund to the Agency for Health Care Administration; and
- \$1,984,113 from the Donations Trust Fund to the Department of Health (double budget that allows the Department of Health to pay providers who provide care to children enrolled in the CMS network.)

Section 11. Provides for an effective date upon becoming a law except as otherwise provided.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

The provisions of this bill have no impact on municipalities and the counties under the requirements of Article VII, Section 18 of the Florida Constitution.

B. Public Records/Open Meetings Issues:

The provisions of this bill have no impact on public records or open meetings issues under the requirements of Art. I, s. 24(a) and (b) of the Florida Constitution.

C. Trust Funds Restrictions:

The provisions of this bill have no impact on the trust fund restrictions under the requirements of Article III, Subsection 19(f) of the Florida Constitution.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

Additional children will be provided health insurance. Private corporations will be paid premiums to provide health benefits to children.

C. Government Sector Impact:

The total estimated cost for health insurance premiums is \$25,051,668 in FY 2003-04 and \$119,595,903 in FY 2004-05. These amounts include the estimated additional General Revenue need of \$6,566,073 in FY 2003-04 and \$31,351,464 in FY 2004-05. There is an indeterminate fiscal impact related to increased administrative costs associated with eligibility documentation requirements including one-time system programming.

KidCare Program Fiscal Impact

FY 2003-04 (April – June 2004)	Florida Healthy Kids	Medikids	CMS Network	Total XXI
Estimated Children on Wait List	68,290	20,355	1,635	90,280
Estimated Case Months	170,725	50,888	4,088	
Avg. Monthly Cost Medical	\$88.53	\$86.03	\$482.08	
Avg. Monthly Cost Dental	\$16.62			
Avg. Monthly Cost Admin	\$3.33	\$3.33	\$3.33	
Total Estimated Cost	\$18,520,248	\$4,547,307	\$1,984,113	\$25,051,668
Family Premium	\$1,758,468	\$425,420	\$29,267	\$2,213,155
Net Expenditures	\$16,761,780	\$4,121,887	\$1,954,846	\$22,838,513
State Share (28.75%)	\$4,819,012	\$1,185,043	\$562,018	\$6,566,073
Federal Share (71.25%)	\$11,942,768	\$2,936,844	\$1,392,828	\$16,272,440

FY 2004-05 (Annualized)	Florida Healthy Kids	Medikids	CMS Network	Behav Health	Total XXI
Estimated Children on Wait List	68,290	20,355	1,635	65	90,280
Estimated Case Months	819,480	244,260	19,620	780	
Avg. Monthly Cost Medical	\$91.98	\$92.10	\$507.69	\$1,000	
Avg. Monthly Cost Dental	\$9.00				
Avg Monthly Cost Admin	\$3.33	\$3.33	\$3.33		
Total Estimated Cost	\$85,479,959	\$23,309,732	\$10,026,212	\$780,000	\$119,595,903
Family Premium	\$8,440,644	\$2,042,014	\$140,479		\$10,623,137
Net Expenditures	\$77,039,315	21,267,718	\$9,885,733	\$780,000	\$108,972,766
State Share (28.75%)	\$22,164,211	\$6,118,722	\$2,844,125	\$224,406	\$31,351,464
Federal Share (71.25%)	\$54,875,104	\$15,148,996	\$7,041,608	\$555,594	\$77,621,302

Source: Agency for Health Care Administration

Assumptions:

1. The fiscal impact represents the estimated expenditures to fund the KidCare Title XXI wait list as of January 30, 2004 per the Florida Healthy Kids Corporation.
2. The FY 2003-04 estimate assumes 50% of the children are covered in April and 100% are covered in May and June 2004. The FY 2004-05 estimate annualizes these children for a full 12 months.
3. Average monthly per member/per month insurance premiums are based on the October 2003 KidCare estimating conference updated for the CMS network based on the January 2004 Legislative Budget Commission meeting.
4. Assumes that 4% of CMS Network children will be enrolled in the Behavioral Health Network for FY 2004-05.
5. Florida Healthy Kids family premiums are not budgeted in the General Appropriations Act.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.